【證期局張振山著】

Firm Risk and Performance: The Role of Corporate governance

Abstract

We established a set of corporate governance assessment indices for examining the potential intermediary role of corporate governance in the relationship between firm performance and risk; furthermore, we identified the key corporate governance variables associated with both firm performance and risk based on 2008–2012 empirical evidence from Taiwan.

The results indicate that corporate governance has a suppressed mediating effect on the relationship between firm performance and risk both during and after the financial crisis. Moreover, especially during a financial crisis, corporate governance has a negative moderating effect on the relationship between firm performance and risk; therefore, it acts as a risk buffer to protect companies. Our empirical results also provide evidence that listed companies in Taiwan with higher levels of corporate governance report high firm performance and low firm risk.

Based on the findings, we recommend that decision makers considering both value creation and risk control focus on formulating corporate governance strategies, with particular attention paid to annual general meetings participation, chairperson and chief executive officer split, board of directors composition, director remuneration and discipline, and transparency of board structure and ownership information.